

103  
**EMERGENCY UNEMPLOYMENT COMPENSATION**

---

Y 4.W 36:103-37

Emergency Unemployment Compensation...

**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON HUMAN RESOURCES  
OF THE  
COMMITTEE ON WAYS AND MEANS  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED THIRD CONGRESS  
FIRST SESSION

---

SEPTEMBER 22, 1993

---

**Serial 103-37**

---

Printed for the use of the Committee on Ways and Means



U.S. GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1993

74-248 CC

---

For sale by the U.S. Government Printing Office  
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402  
ISBN 0-16-043243-X

FEB 15 1994



103  
**EMERGENCY UNEMPLOYMENT COMPENSATION**

---

Y 4.W 36:103-37

Emergency Unemployment Compensation...

**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON HUMAN RESOURCES  
OF THE  
COMMITTEE ON WAYS AND MEANS  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED THIRD CONGRESS

FIRST SESSION

SEPTEMBER 22, 1993

**Serial 103-37**

Printed for the use of the Committee on Ways and Means



U.S. GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1993

74-248 CC

For sale by the U.S. Government Printing Office  
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402

ISBN 0-16-043243-X

FEB 15 1994

## COMMITTEE ON WAYS AND MEANS

DAN ROSTENKOWSKI, Illinois, *Chairman*

SAM M. GIBBONS, Florida  
J.J. PICKLE, Texas  
CHARLES B. RANGEL, New York  
FORTNEY PETE STARK, California  
ANDY JACOBS, JR., Indiana  
HAROLD E. FORD, Tennessee  
ROBERT T. MATSUI, California  
BARBARA B. KENNELLY, Connecticut  
WILLIAM J. COYNE, Pennsylvania  
MICHAEL A. ANDREWS, Texas  
SANDER M. LEVIN, Michigan  
BENJAMIN L. CARDIN, Maryland  
JIM McDERMOTT, Washington  
GERALD D. KLECZKA, Wisconsin  
JOHN LEWIS, Georgia  
L.F. PAYNE, Virginia  
RICHARD E. NEAL, Massachusetts  
PETER HOAGLAND, Nebraska  
MICHAEL R. McNULTY, New York  
MIKE KOPETSKI, Oregon  
WILLIAM J. JEFFERSON, Louisiana  
BILL K. BREWSTER, Oklahoma  
MEL REYNOLDS, Illinois

BILL ARCHER, Texas  
PHILIP M. CRANE, Illinois  
BILL THOMAS, California  
E. CLAY SHAW, JR., Florida  
DON SUNDQUIST, Tennessee  
NANCY L. JOHNSON, Connecticut  
JIM BUNNING, Kentucky  
FRED GRANDY, Iowa  
AMO HOUGHTON, New York  
WALLY HERGER, California  
JIM McCRERY, Louisiana  
MEL HANCOCK, Missouri  
RICK SANTORUM, Pennsylvania  
DAVE CAMP, Michigan

JANICE MAYS, *Chief Counsel and Staff Director*  
CHARLES M. BRAIN, *Assistant Staff Director*  
PHILLIP D. MOSELEY, *Minority Chief of Staff*

---

## SUBCOMMITTEE ON HUMAN RESOURCES

HAROLD E. FORD, Tennessee, *Chairman*

ROBERT T. MATSUI, California  
JIM McDERMOTT, Washington  
SANDER M. LEVIN, Michigan  
MIKE KOPETSKI, Oregon  
MEL REYNOLDS, Illinois  
BENJAMIN L. CARDIN, Maryland

RICK SANTORUM, Pennsylvania  
E. CLAY SHAW, JR., Florida  
FRED GRANDY, Iowa  
DAVE CAMP, Michigan

# CONTENTS

---

	Page
Press release of Tuesday, September 21, 1993, announcing the hearing .....	2

## WITNESSES

U.S. Department of Labor, Robert B. Reich, Secretary of Labor .....	6
---	---

---

Mon Valley Unemployed Committee, Barney Oursler .....	39
New Jersey Unemployed Project, Edward J. Kelly .....	38
New York Unemployed Committee, Keith Brooks .....	32

(III)



## EMERGENCY UNEMPLOYMENT COMPENSATION

---

WEDNESDAY, SEPTEMBER 22, 1993

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON WAYS AND MEANS,  
SUBCOMMITTEE ON HUMAN RESOURCES,  
*Washington, D.C.*

The subcommittee met, pursuant to call, at 10:40 a.m., in room B-318, Rayburn House Office Building, Hon. Harold E. Ford (chairman of the subcommittee) presiding.

[The press release announcing the hearing follows:]

FOR IMMEDIATE RELEASE  
TUESDAY, SEPTEMBER 21, 1993

PRESS RELEASE #8  
SUBCOMMITTEE ON HUMAN RESOURCES  
COMMITTEE ON WAYS AND MEANS  
U.S. HOUSE OF REPRESENTATIVES  
1102 LONGWORTH HOUSE OFFICE BLDG.  
WASHINGTON, D.C. 20515  
TELEPHONE: (202) 225-1721

THE HONORABLE HAROLD E. FORD (D., TENN.), CHAIRMAN,  
SUBCOMMITTEE ON HUMAN RESOURCES, COMMITTEE ON WAYS AND MEANS,  
U.S. HOUSE OF REPRESENTATIVES,  
ANNOUNCES A HEARING ON EMERGENCY UNEMPLOYMENT COMPENSATION

The Honorable Harold E. Ford (D., Tenn.), Chairman, Subcommittee on Human Resources, Committee on Ways and Means, U.S. House of Representatives, today announced that the Subcommittee will hold a hearing on the Administration's proposal to extend Emergency Unemployment Compensation (EUC) beyond its October 2, 1993, expiration. The hearing will be held on Wednesday, September 22, 1993, beginning at 10:30 a.m. in room B-318 of the Rayburn House Office Building. Because so little time remains before the expiration of the authorization for new EUC claims on October 2, 1993, testimony will be limited to invited witnesses only. Other individuals are encouraged to submit their testimony in writing.

In announcing the hearing, Chairman Ford stated: "The extension is necessary to address the continuing, high rate of long-term unemployment following the recent recession. The benefits will provide income support to over a million workers who exhaust regular State unemployment benefits and whose families otherwise will experience high rates of poverty."

It is anticipated that the extension also will provide a bridge to President Clinton's forthcoming Workforce Investment Strategy, which will reform the Nation's response to retraining, support, and reemployment of workers.

**BACKGROUND:**

The Emergency Unemployment Compensation (EUC) program was established in November 1991, and most recently extended last February. The program provides additional weeks of benefits to unemployed workers who exhaust their usual 26 weeks of regular State benefits. The authorization to pay benefits to new EUC claimants expires on October 2, 1993. Workers exhausting regular benefits after this date will not be entitled to EUC assistance. Claimants receiving assistance before the expiration date may claim their remaining entitlement until January 15, 1994.

Although the unemployment rate has eased downward in recent months to 6.7 percent in August, it remains nearly as high today -- two and one-half years after the bottom of the recession -- as the 6.9-percent rate when the EUC program was established in November 1991. The unemployment rate prior to the recession was 5.3 percent.

In addition, several indicators demonstrate that longer-term job loss, an important characteristic of the recent recession and the one at which the EUC program is directed, continues unabated. For example, in July there were 1.75 million workers unemployed at least 27 weeks, compared to 1.37 million when the EUC program was initiated in November 1991. In addition, the number of unemployed workers who exhaust their regular State benefits is higher today than when the EUC program first was enacted (271 thousand compared to 260 thousand), and significantly higher than prior to the recession (271 thousand compared to 184 thousand). Finally, the percentage of unemployed workers exhausting their regular State benefits remains above 38 percent, a significantly higher exhaustion rate than historically is associated with a 6.8-percent unemployment rate. The exhaustion rate in a high employment period is usually about 25 to 30 percent.



**DETAILS FOR THE SUBMISSION OF WRITTEN COMMENTS:**

Persons wishing to submit written statements for the printed record of the hearing should submit at least six (6) copies of their statements by close of business, Friday, October 8, 1993, to Janice Mays, Chief Counsel and Staff Director, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515.

**FORMATTING REQUIREMENTS:**

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages.
2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.
3. Statements must contain the name and capacity in which the witness will appear or, for written comments, the name and capacity of the person submitting the statement, as well as any clients or persons, or any organization for whom the witness appears or for whom the statement is submitted.
4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and the public during the course of a public hearing may be submitted in other forms.

\*\*\*\*\*

Chairman FORD. Good morning. The Ways and Means Subcommittee on Human Resources will come to order.

The hearing this morning for the Subcommittee on Human Resources will be centered around the Unemployment Compensation extension. Today I am pleased to welcome the Secretary of Labor, the Honorable Robert Reich, before the Subcommittee on Human Resources, to discuss the administration's response to the impending expiration of the authorization of new claims under the Emergency Unemployment Compensation program.

Some believe another extension is not necessary because the economy is improving to a certain degree and the unemployment rate has eased down to 6.7 percent. Nonetheless, long-term unemployment lingers. In fact, today there are more long-term unemployed, over 1.7 million, than there were when the Emergency Unemployment Compensation program first was enacted in November of 1991.

The end of the Emergency Unemployment Compensation program concerns me not only because of general labor market conditions but also because of recent evidence that the current recession has hurt African-Americans disproportionately. A recent analysis by the Wall Street Journal suggests that African-Americans were the only major demographic group to suffer a net job loss during the recent recession. This underscores a continuing problem in the labor market. While blacks represent 11 percent of the labor force, they account for 20 percent of the long-term unemployed.

Mr. Secretary, it is imperative that we work to improve the skills and the employment prospects of all Americans who are unemployed or underemployed in this country. We are fortunate to have such a knowledgeable leader like you.

I have had an opportunity to work with you in the past, and you certainly, even before assuming your responsibilities here as Secretary of Labor, have shown the American people that you are not only knowledgeable of a lot of the facts that we should be aware of, but you also have the concern that will lead us in the right direction, and we appreciate that. I look forward to working with you on this issue, and the issues as the legislative process proceeds.

Mr. Secretary, after you testify this morning there will be questions from many of us as to any funding mechanism which the administration will suggest or recommend. How will we fund the extended benefits that will cost \$1.7 billion to provide 7 or 13 weeks of unemployment protection?

I do appreciate your coming over, Mr. Secretary, and being with us today.

At this time, I will yield to any of my colleagues who might want to make opening remarks.

Mr. Santorum.

Mr. SANTORUM. Thank you, Mr. Chairman.

Mr. Secretary, good to see you again. My only comments are simply this. I am anxious to hear what you have to say and as my position has always been on unemployment benefits extension, I am most interested in making sure that we pay for these benefits and come up with some mechanism where we are not just adding more to our debt.

I understand from all the discussions that we have had, that is high on your priority list and that is something we are working on. I offer our support to try to come up with a mechanism to do that, and we are willing to work together on that.

My only additional comment would be, since the last time we talked about this issue, unlike the rest of the country, where the unemployment rate has been coming down slightly, in our State of Pennsylvania it has actually been going up. So I do look to other States—not to pick on Mr. Grandy whose State has around 3 percent unemployment, and other States with very, very low unemployment rates, and I wonder whether we might not be better off focusing on benefits for States where the unemployment problem still exists, as opposed to providing benefits carte blanche across the board, to very, very low-unemployment States. So that would be another suggestion I would just throw out as a possibility for maybe trying to keep the cost down.

If, in fact, we are having problems finding a mechanism to pay for it, perhaps we can keep costs down by either taking those States out or greatly reducing the extension in those States, to help us pay for the package for those States like California and Pennsylvania, that are really in need.

Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

Chairman FORD. Mr. Matsui.

Mr. MATSUI. I have no comment.

Chairman FORD. Mr. Levin.

Mr. LEVIN. No.

Chairman FORD. Mr. Grandy.

Mr. GRANDY. Thank you, Mr. Chairman.

I just wanted to say at the outset, that the Secretary invited some Republican Members of the panel down for a meeting last week to talk about moving from unemployment to reemployment, and I know you want to discuss that today. In the context of this short-term extension, there may not be much we can do to create a new system, but I hope in your comments—either in your prepared remarks or in response to questions, you can talk a little bit about how, if we do come to some kind of agreement on how to fund this extension, we can make that transition in this legislation, even haltingly. I think you will probably see a lot of us anxious to work with you on making that transition in what these benefits actually should be funding and how they should be helping the long-term unemployed work out of one sector of the economy and into another.

I just wanted to say at the outset, Mr. Chairman, I think there are many of us on this side of the aisle who want to work with you on that but would like to see, perhaps, if we could use this vehicle to at least be a preamble to what you want to do a little later in the life of the administration.

Thank you, Mr. Chairman.

Chairman FORD. Mr. Camp.

Mr. CAMP. I have no opening statement.

Chairman FORD. Mr. Reynolds.

Mr. Cardin.

Mr. Coyne.

If not, Mr. Secretary, we welcome you to the committee. We will now recognize you for an opening statement, and we hope that you remain for questions from the panel.

### STATEMENT OF HON. ROBERT B. REICH, SECRETARY OF LABOR

Secretary REICH. Certainly.

Mr. Chairman, members of the committee, if I may, I would like to submit my formal remarks and summarize them for you.

Chairman FORD. Your formal remarks will be made part of the record, and you may summarize them.

Secretary REICH. First of all, I want to share with the committee the good news. The good news is that we are creating and have created over the last 7 months about a million new jobs in the economy. We are no longer in a jobless recovery. The million new jobs are about 94 or 95 percent of all the jobs created during the past 4 years, and again we all should be thankful that we are beginning to see a turnaround with regard to jobs.

And now the bad news. The bad news is that in this recovery, unlike previous recoveries, or to a far greater extent than previous recoveries, we are experiencing structural unemployment. What do I mean by structural unemployment?

I mean that people are not getting their previous jobs back. Many people who have lost their jobs are spending months, and months and months, sometimes a year or more seeking the next job.

Let me share with you some data which I think shed a great deal of light on the structural unemployment issue. We used to, by the way, think of unemployment as a cyclical phenomenon, and that is where unemployment insurance came in very handy. The system was conceived of as something to tide someone over until you got your previous job back. No longer.

While the unemployment rate edged down to 6.7 percent in August, that is only two-tenths of 1 percent below the 6.9 percent rate that was experienced when the EUC program began in November of 1991, round number one.

Long-term unemployment continued to increase for an unusually long period after the official end of the recession in March of 1991. Twenty percent of the jobless have been unemployed over 26 weeks.

Now, at that point—March 1991—there was only 11 percent of the jobless who were unemployed for over 26 weeks. In other words, although the unemployment rate has gradually crept down, what we are seeing is that if you are unemployed, the tendency is, the trend is that you are going to be unemployed a longer and longer period of time.

The current number of long-term unemployed, which is 1.7 million, is higher than when the Extended Unemployment Insurance program was first enacted in November 1991, and that was 1.2 million at that time. Once again, we are seeing, although the unemployment rate is going down, the duration of unemployment increasing for many, many Americans.

Likewise, the proportion of the unemployed who exhaust their regular unemployment insurance benefits continue to increase for



much longer than usual after the recession. Now, in August 1993, it stands at 39 percent. That is compared with 34 percent when the EUC program began.

Finally, let me cite one other fact. Three of every four unemployed job losers are not on temporary layoff. Now, this is very unusual compared to previous recoveries. The proportion of unemployed job losers who have been laid off permanently is at an historically high level.

Now, the reasons are all around us. We see big corporations who are slimming down. There is military downsizing as well. An unprecedented degree of technological change is making entire industries obsolete. International trade, which is good for us, is forcing Americans to change jobs in unprecedented numbers. Change is the watch word of a new economy. There is no job security left for even the top chief executive officers of many companies. Everyone today is to some extent insecure.

Now, over the next several months, approximately 250,000 jobless individuals will exhaust their State unemployment insurance benefits every month. Only a tiny fraction of these unemployed workers would qualify for Federal-State extended benefits.

I am not happy to be back here. In fact, I wish I weren't back here. Last March, I came back seeking a federally supported extension to regular Federal-State unemployment insurance benefits. That was the fourth time that a Secretary of Labor had been back here.

At that time, we talked about various reforms; we talked about various options. I had hoped that I wouldn't have to come back here again. But the fact is that given the structural changes that we are now seeing in the economy, given the fact of structural unemployment, unless we take some action soon, beginning the week of October 3, 50,000 Americans, that week alone, will exhaust their regular unemployment insurance and have nothing to fall back on, and 50,000 Americans every week thereafter.

The administration does not want to continue this program forever. In fact, we want to see it phased down. The last time I was here, Congress enacted an extension which did have a phasing-down provision embedded within it. You recall that it was a program which called for 26 weeks of emergency unemployment compensation for States with high unemployment rates and 20 weeks for States that had relatively lower unemployment rates.

If States, all States went down below 7 percent, that is if we had a national unemployment rate for 2 months that was below 7 percent, you recall that those two figures went down to 10 and 15 percent, that is the high-unemployment States would have 15 weeks and the low unemployment States, individuals would have 10 weeks.

Now, embedded in there, as well, was another provision. If we experienced 2 months of 6.8 percent unemployment nationally or lower, we would go down to a 7- and 13-week provision, high-unemployment States individuals would have 13 weeks, low unemployment States—and again we are talking relatively low unemployment States the extension would be 7 weeks. That is precisely what we are seeking now, not the 20–26, not the 10–15, but the 7–13.

In other words, we are seeking for most States, for most individuals, an additional 7 weeks of unemployment insurance.

It doesn't sound like all that much, but for many individuals, it means the difference between not having a check and not having money to pay for their families and their rent and get food, or having a check for an additional 7 weeks on top of the normal unemployment insurance. There are a few States which would qualify for the high categorization, and they would get the 13 weeks.

Under our calculation that would be California where unemployment is still extremely high, also Rhode Island, Puerto Rico, West Virginia, and Alaska. Obviously, Congress can change those rules in any way it sees fit, and the administration is willing to discuss with you all any slight changes you want to make. Indeed, we are and will continue with you today to seek funding sources.

I wish I could come up right now and say we have found the way of financing even this small extension. I want to emphasize that this is a very small extension. Remember, it is only 7 weeks for most people, 13 weeks for the high-unemployment States. Leon Panetta has assured me that he is working even at this moment on looking for funding sources for this extension.

Now let me say one more word here about reform because, as Mr. Grandy pointed out, the administration is interested in getting out of this business. We have created, in effect and unwittingly, an extended unemployment insurance system financed by the Federal Government. In fiscal year 1992, it cost the Federal Government over \$12 billion. In fiscal year 1993, it looks like it is going to cost the Federal Government over \$12 billion again, regardless of what Congress decides with regards to this extension.

In other words, we have something in the order of a \$25 billion program over 2 years for emergency unemployment compensation. This cannot become an entitlement, should not become an entitlement.

We have to fix the system, and we have to take account of the fact that unemployment in this country has moved from being primarily a cyclical phenomenon to a structural phenomenon. That means we have to integrate unemployment insurance with job search assistance, job counseling, job training, and information about where the next job can be found.

The administration is actively working on such a proposal right now, and we will be working with you on this committee in formulating that proposal very, very shortly. We are proposing in this particular extension some reforms which can be started right away.

For example, a self-employment option would allow States to provide periodic allowances to permanently laid-off workers who indicate interest in and show a potential for starting small businesses. Now, this has been shown to be helpful in many States. Pilot programs have been inserted to help people get off the ground, start their own business, and get off unemployment insurance.

Second, short-time compensation, a flexibility option, allows employers to reduce hours of employment for a large group of workers rather than laying off a smaller number of workers. Now, about one-third of the States already operate such a program. We want to make it available and more widely utilized because we think that this kind of program also helps people maintain their eco-

conomic footing and get that economic footing back as soon as possible.

Our proposal would also address a situation that came to light this summer involving General Motors workers. There is a provision in the EUC program now which allows workers to substitute federally funded emergency unemployment compensation for their regular State benefits, even if these workers were only on a routine temporary layoff. Our proposal now would correct the situation by limiting this provision to those who have received emergency benefits during the previous year.

Finally, we are proposing a variety of technical amendments concerning the Unemployment Insurance program. Let me conclude by saying this: I am no happier about being up here now than you are about seeing me. I am certainly not happy about the fact that 50,000 Americans, beginning October 3, will be exhausting their unemployment benefits every week and will have nothing to fall back on. We have to do better.

The administration is intent on doing better and with your help we will put in place a system which is not an Unemployment insurance system but a reemployment insurance system premised on getting people the services they need to get the next job quickly. We are phasing down the current emergency program.

As you see, this is only 7 weeks and 13 weeks. This is a phasedown. But at this point, frankly, we see no option other than coming back, given the prevalence of structural unemployment, and seeking this extension for a fifth time.

Thank you.

[The prepared statement follows:]

STATEMENT OF  
ROBERT B. REICH  
BEFORE THE SUBCOMMITTEE ON HUMAN RESOURCES  
COMMITTEE ON WAYS AND MEANS  
U.S. HOUSE OF REPRESENTATIVES

September 22, 1993

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here to present President Clinton's proposal for legislation to reauthorize the Emergency Unemployment Compensation program and to discuss the President's workforce investment strategy.

Mr. Chairman, the good news is that jobs are coming back. Cautiously, haltingly, a jobs recovery is finally underway. In the first seven months of this Administration, our economy created nearly one million private sector jobs. That is 96 percent as many as were created in the previous four years.

The bad news is that Americans are worried about keeping their jobs -- and with good reason. Even though job gains are exceeding job losses, we are witnessing an extraordinary shakeup of the American workforce and workplace. By the end of most recessions, a substantial portion of the people who lost their jobs get their old ones back again. This time, many more people have had to find new jobs, sometimes at lower wages.

And a big percentage of the new jobs has been temporary or part-time, offering none of the job security that American workers once took for granted.

In a recovery, the total number of involuntary part-time workers -- part-timers who would rather be working full-time -- typically decreases. In the current recovery, the total number of involuntary part-timers has increased by 8 percent. Moreover, about one-quarter of the net increase in private sector jobs in this recovery is attributable to the temporary help industry.

These trends are likely to endure as large corporations continue to restructure, an ever-larger proportion of the American economy is subject to international competition, as technology continues to evolve, and the defense-related sector of the economy continues to contract. As a nation, we have a moral obligation, as well as significant economic interest, to help these workers and their families financially while they move into new jobs as smoothly and surely as possible.



Many unemployed workers have yet to experience the benefit of the jobs recovery, including many long-term jobless. The facts are:

- While the unemployment rate edged down to 6.7 percent in August, that is only 0.2 percent below the 6.9 percent rate that was experienced when the EUC program began in November 1991.
- Long-term unemployment continued to increase for an unusually long period after the official end of the recession in March 1991; twenty percent of the jobless have been unemployed over 26 weeks. The current number of long-term unemployed (1.7 million) is higher than when the EUC program was enacted.
- Likewise, the proportion of the unemployed who exhaust their UI benefits continued to increase for much longer than usual after the recession and stands at 38 percent today, compared with 34 percent when the EUC program began.
- Three of every four unemployed job losers are not on temporary layoff. The proportion of unemployed job losers who have been laid off permanently is at an historically high level.

The still large number of long-term unemployed, as well as the hundreds of thousands of workers who are exhausting their regular State benefits each month, underscore the continued need for additional unemployment assistance. Unfortunately, such assistance will not be forthcoming under the permanent Extended Benefits program.

- Over the next several months, approximately 250,000 jobless individuals will exhaust their State UI benefits each month.
- Only a tiny fraction of these unemployed workers would qualify for Extended Benefits. Currently, only two States and Puerto Rico are projected to qualify for the Federal/State Extended Benefits program in early October. Other States with high unemployment, such as California and West Virginia, would not qualify.
- In short, absent an extension of the EUC program, very few of the long-term unemployed will become eligible for additional aid after October 2.

For these reasons, I am before you today with the Administration's proposal to extend Emergency Unemployment Compensation. Extending the EUC program for six months will provide those jobless workers breathing room while they seek new

employment and give us time to consider some fundamental changes that I will discuss in a moment.

Under the Administration's proposal, new claimants would be eligible to initiate emergency benefits until April 2, 1994. Those in the program prior to that date would be eligible for benefits until July 16, 1994. The duration of benefits would be 13 weeks in States with exceptionally high unemployment and 7 weeks in all other States. The net cost of this extension of the EUC program is projected to be \$1.6 billion. For comparison, the EUC program has already paid almost \$25 billion to 8 million claimants.

The Administration explored several options for financing this proposed extension and would like to continue to work with you to identify a suitable means for financing this proposal.

In addition to the EUC extension, our proposal would introduce flexibility into the basic unemployment insurance program. A new flexibility feature -- self-employment payments -- will provide permanently laid-off workers with assistance in establishing their own businesses and becoming self-employed. Another option -- short-time compensation -- is presently available and will provide payment for reduced hours to avoid or delay layoffs.

The self-employment option would allow States to provide periodic allowances to permanently laid-off workers who indicate interest in, and show potential for, starting small businesses. The proposed legislation sets forth certain requirements which will assist the worker in the successful establishment of a business, while at the same time safeguarding the integrity of the UI trust fund. The Department of Labor will conduct research on the self-employment programs and submit a report that evaluates its effectiveness to Congress four years after the date of enactment. We also propose that the self-employment provisions sunset five years after enactment. At that time, Congress and the Administration can determine whether these programs are effective and should be continued.

Short-time compensation is a UI "flexibility option" that allows employers to reduce hours of employment for a large group of workers rather than laying off a smaller number of workers. About one third of the States currently operate such programs. The statute, as it now stands, needs revision in order to permit these States to continue to operate their programs in the current manner. This provision is not controversial, and in fact, was included in the House version of the budget reconciliation bill.

Our proposal would also address a situation that came to light this summer involving General Motors workers. There is a provision in EUC that unintentionally allows some workers to

substitute EUC for their regular State benefits. The proposal would correct the situation by limiting this choice to those who were receiving EUC during the previous year.

Finally, we are also proposing technical amendments concerning the unemployment insurance program.

While the EUC extension is urgently needed for the short term, for the longer term there are some fundamental changes that need to be made in our approach to unemployment and economic change. Let me spend a few minutes on the Clinton Administration's workforce strategy and reemphasize some of the points I made a week ago when I testified before the Ways and Means Committee on NAFTA.

Massive change, on the scale Americans are experiencing it, demands great flexibility -- the capacity to adapt quickly and continuously, to change jobs, change directions, gain new skills. If the watchword of the new economy is change, then a central mission of government must be to help citizens equip themselves to prosper in a world constantly being transformed. And we are preparing to deliver on that obligation with a comprehensive strategy for helping workers who have lost their old jobs find new ones.

Our comprehensive strategy is equally relevant to our challenge of scaling back weapons production and converting to a productive civilian economy, adjusting to unprecedented technological changes which are shaking up entire industries, adapting to the downsizing of major corporations, and adopting production technologies that do not pollute the nation's air.

Each of these sources of structural change will benefit us as a nation, often generating new jobs. Each has as a side effect the potential dislocation of some workers from the jobs they now hold. But people need to know that this Administration will have policies in place to help ease the transition from the old economy to the new. These policies will help people who believe their jobs may be at risk because of NAFTA -- just as they will be available to everyone who wants to or has to change jobs in the years to come.

We will propose legislation which will move us from a system that simply buffers the pain of unemployment towards a system that speeds displaced workers into re-employment.

As a first step, we will seek to identify permanently displaced workers early on. We've found that the early identification of dislocated (versus temporarily laid-off) workers, followed by early readjustment and job search assistance for them, cuts their time spent unemployed -- along with the associated costs and pain. We took a significant step towards

accomplishing this objective with the enactment of the worker profiling program earlier this year. We intend to build upon that approach.

Our re-employment system will feature broad access for displaced workers, so that the help they receive will depend on what they need to get a new job, not on the reason why they lost their old job. Assistance in obtaining unemployment insurance, job search assistance, counseling, and job training referral will be available through one-stop centers, with a minimum of red tape. Training will be offered by a variety of providers, with options to include basic skill training, literacy and numeracy, and occupational skill training, both classroom and on-the-job. States will be allowed--and encouraged--to develop other options to fit the particular needs and priorities of their citizens.

A fundamental flaw in our present unemployment compensation scheme is that while it supports people who are unemployed and looking for new work, it typically does not support people while they are in longer-term training. We hope to eliminate this flaw. We aim to provide income support for displaced workers who need extended retraining and are making satisfactory progress in full-time training programs.

Finally, it is worth noting, in this time of tight budgets and eroded faith in public institutions, that reinvented government is a hallmark of the comprehensive worker adjustment system I have described. Just as our private sector has become more attuned to serving the customer quickly, flexibly and efficiently, so must our public sector. A shiny new training program does no good if it's giving people skills that aren't in demand. Filling out the same form for three different agencies wastes time, shortens tempers, and undermines confidence. For these reasons, accountable, customer-driven, locally-based ways of doing the public's business are built right into the ground floor of the our system -- not tacked on as an afterthought.

We're doing all this because we understand that we truly don't have a person -- or a tax dollar -- to waste.

Our reemployment approach is not charity. It is a practical investment we must make to ensure a productive work force. It will lessen our reliance on unemployment compensation and our hard-pressed "safety net" programs. It is spending to save: Our not making this investment would be as penny-wise and pound-foolish as a hard-pressed farmer not finding room in his budget for next year's seed corn.

The workforce initiatives I've described are part of a unified approach to the challenge of fundamental economic change. Our initiatives are about confronting changes that are inevitable, harnessing them, and turning them to our advantage.

If we evade this challenge, our prosperity will ebb, and we will become more and more like the rest of the world. But if we confront and surmount it, America will remain an upwardly mobile society -- a special place where everybody, whatever their origins, has a real chance to make it.



Chairman FORD. Thank you very much, Mr. Secretary.

Do you foresee any permanent reforms made in the area of long-term unemployment from this administration?

Secretary REICH. Yes, we would seek several permanent reforms in this piece of legislation, the permanent reforms that I indicated already, and we—

Chairman FORD. Making the benefits permanent?

Secretary REICH. No, no, I am sorry. Let me be very, very specific. The three specific reforms that we would attach to this legislation, which, would help individuals get new jobs more quickly, you recall, are the self-employment option, the short-time compensation, that is the UI flexibility option, and also some technical changes, and also getting rid of that General Motors—I don't want to pick on General Motors, but let's call it for the sake of the discussion the "General Motors issue."

In addition, you recall that in the fourth extension, we sought authorization for a profiling system which, shortly after individuals file for unemployment insurance, would identify those individuals who are most likely to be long-term unemployed, who wouldn't get their previous jobs back, and give them whatever services were available in the State—job training, job counseling, job search assistance. That, hopefully, will be funded in 1994.

We are making arrangements to help the States and provide technical assistance to the States in that regard. So in many respects, we are phasing this program down. And in addition, Mr. Chairman, I want to emphasize that the administration will be back and we will be working with you to create a reemployment insurance system that does not simply keep people in the situation of unemployment, that helps them in a much more active way to get that new job.

Chairman FORD. Mr. Secretary, do you think the people that we are talking about, because they are receiving benefits, are not seeking employment or are staying in unemployment for the purposes of receiving the benefits?

Secretary REICH. Mr. Chairman, there has been some research on that, and I have carried on some of that research. In addition there has been a great deal of State research on that topic, and all of the research points to the fact that the vast majority, 90 percent or more of the people and households receiving unemployment insurance, want a job. Remember, unemployment insurance is providing—

Chairman FORD. Do they receive job search assistance?

Secretary REICH. Many of them are receiving some form of job search assistance through the employment service, and the employment service to the extent that it has the resources, and it has been doing a good job in providing that job search assistance. But in my view and in the administration's view, we need to provide better resources, more resources, we need to provide better quality job search assistance, and job counseling.

If you get in there early, shortly after somebody has lost a job, in fact, preferably if you get in there even before they have lost the job, when they find out they are going to lose a job, and you give them job counseling and job search assistance, then it has been shown to be some of the most important steps that can be taken

to get them the next job. About 2.2 million people are losing their jobs every year in the United States right now, for a variety of causes. About 1.7 million of these people are long-term job losers, not only will they not get their jobs back, but they won't get new jobs for some time.

Our research shows that about 60 percent of this group, this 1.7 million, need job search assistance, job counseling, and many of them need job training and would utilize it. People don't stay on unemployment insurance because they want to. Unemployment insurance only replaces about 35 percent of their previous wages.

Chairman FORD. I know this next question might be somewhat loaded, but have you dusted off the pages of the old Comprehensive Employment and Training Act policy in the Labor Department to see whether or not we could reinvent or reinstitute the CETA program to satisfy some of the unemployment ills in this country?

I ask that question because this subcommittee is also charged with the responsibility of welfare reform legislation. And my next question for you will be, is there any difference between the Emergency Unemployment Compensation benefits and welfare benefits for the hardcore unemployed in this country?

We are talking about reforming welfare, and it is a problem related to unemployment compensation, because people need jobs and people need to be trained and placed back into the work force.

Secretary REICH. Yes. Obviously, Mr. Chairman, people who are on welfare, and even people who get emergency benefits, whether it is for 7 weeks or 13 weeks, are time bound in terms of the amount of assistance they get, and that is a very different circumstance from people who are receiving welfare.

Chairman FORD. I missed that. What?

Secretary REICH. The amount of assistance which the unemployment insurance provides them is limited in duration. It just stops at a certain point of time, unlike a welfare program which is a continuing entitlement. The administration, through its welfare reform initiative, working with this committee, will be proposing a different kind of system which may be time bound as well, may have a limited duration, and may have some job search assistance and job counseling within it. The issue—

Chairman FORD. We call welfare "welfare," we call unemployment "unemployment," but often it is the same situation. It might be that you have a limited number of weeks on it, but it is public assistance.

I think what you said, Mr. Secretary, earlier, when you addressed the problem of job assistance—

Secretary REICH. Yes, we have to address the problem of people without jobs, regardless of how you categorize these people. Technically, of course, as to unemployment insurance, employers have been paying into a fund all along. That is they have been paying a little bit for unemployment insurance should their workers drop off of the employment rolls.

You are absolutely correct. Once their unemployment insurance runs out, if they don't have any other alternative source of funding, many of them end up on welfare rolls. And what we have seen, in fact, a recent study which was published in the Wall Street Journal, showed that many of the people who have lost their jobs dur-

ing the past recession are minorities, and many of them are people who are disadvantaged in many ways.

These are people who want jobs, they were qualified for jobs, they had jobs, but they now no longer have jobs. These people need as much help as anybody else.

Let me also emphasize that I have been over the last 8 months dusting off every report and study and program I could find. We do face in this country an unprecedented issue with regard to structural unemployment. Every report previously has assumed that there were two separate problems, a problem of cyclical unemployment in one place and then a problem of poverty and permanent unemployment over here in a different category.

What you are suggesting is what I perceive, the two categories are beginning to merge, and we have to help people find jobs and get jobs regardless of why they don't have jobs. Now, CETA was a very expensive program, public service jobs are very expensive, and given the belt tightening that we are going through as a Nation, we are going to have to eventually face the question, I believe, of if there is no other alternative with regard to finding a job, what are we going to do with people? Having a job is much better than not having a job.

Chairman FORD. Mr. Secretary, do you have any idea what the CETA program was costing annually in its peak years?

Secretary REICH. I can get you those figures, Mr. Chairman. The CETA program was costing in today's dollars, in 1993 dollars, far more than we are talking about with regard to either emergency benefits or even the reemployment insurance program that we are just beginning to envision, far more.

[The following was subsequently received:]

Spending on the CETA program peaked in fiscal years 1978 to 1980. During that period, outlays for the program averaged a little over \$9 billion annually.

Chairman FORD. When we look at those numbers, and compare them to our aid programs, I certainly would like to go beyond the unemployment compensation dollars. You mentioned \$25 billion every 2 years.

I would like to see the analysis include the costs of the food stamp distribution, and other public assistance from the Federal Government that the unemployed or not employed receive. When we look at job training and job placement into the work force, we ought to take all of the aid into consideration, rather than just the \$11 or \$12 billion that is spent from the Federal Government on unemployment benefits.

Secretary REICH. Yes. Just for your information, on top of the \$12 billion a year over the last 2 years that the Federal Government has been spending on emergency benefits, there is of course the regular State-Federal unemployment insurance program, outlays which have been totaling in the neighborhood of about \$21 billion a year over the last 2 years.

Chairman FORD. Mr. Matsui.

Mr. MATSUI. Thank you, Mr. Chairman.

I would like to thank you, Mr. Secretary, for your testimony.

In terms of the funding, and I know you are looking at various options at this particular time, but in terms of the funding itself, we are looking at a \$1.6 billion package. Given the fact that these



benefits will expire on October 2, we will have to mark the bill up early next week and take it to the Floor, and the Senate undoubtedly will have a very limited period of time as well. I guess October 1 is a week from Friday.

Do you feel that within the next few days, working with OMB and, I guess, the members of the committee, you will be able to come up with a source of funds? Are you getting close? I won't ask you to identify them, because, obviously, there is a wide variety of options.

Secretary REICH. Our goal is, again, working with Members of Congress to come up with a source of funding today or tomorrow, if we possibly can. Again, Director Panetta late last night, very late last night, Director Panetta and I were going over several options, and he indicated that his staff would be continuing to do so this morning.

Mr. MATSUI. I appreciate your dealing with Mr. Wyden's proposal, in terms of the self-employment funds. I think that is a good proposal. It is one you have supported and many others have as well. I appreciate that.

Thank you again. Look forward to working with you.

Chairman FORD. Mr. Santorum.

Mr. SANTORUM. Thank you, Mr. Chairman.

First, let me congratulate you for including the measure related to General Motors in the bill. This is something that many folks here on the subcommittee were very concerned about and we had hoped to get it in the reconciliation package, but I understand it got knocked out over in the Senate. Obviously, it is a loophole that we need to close. I congratulate you, and on that we will be very supportive.

There was one provision that you described in your testimony that I am interested to hear more about. I found a paragraph on it but I don't see much explanation, and that is the self-employment allowance. Can you go into a little bit more detail what you mean by that? It doesn't seem to be fleshed out here as to how that will work.

Secretary REICH. Yes, let me go over it for you.

This provision would allow States to provide individuals, and this is permanently laid off workers, who indicate interest in and show potential for starting small businesses an allowance. It sets forth certain requirements for assisting the worker in the successful establishment of the business while, at the same time, safeguarding the integrity of the UI Trust Fund.

In most States where it has been tried, in effect, workers are provided an allowance in lieu of regular compensation, in the same amount, on the same terms, and subject to the same conditions as regular compensation.

Mr. SANTORUM. I don't mean to interrupt.

Would this be done during an extended benefit period or would this be done during the regular—

Secretary REICH. No, this would be for regular benefits. This is a reform of the entire system. I want to stress this, that we are seeking reforms in the entire system because it is our judgment that unless we start shifting the entire unemployment insurance system in the direction of helping people get new jobs and better

jobs quickly, then we are going to continue to be faced with the problem of exhaustion of regular unemployment insurance, given the high degree of structural unemployment in the economy right now.

Mr. SANTORUM. I heard Fred in the background talking about something like "micro enterprise," it is the same kind of idea of trying to gather together payments to give people a jump start into doing something.

Secretary REICH. The Labor Department is going to be conducting research on the self-employment programs, and we will submit a report that evaluates its effectiveness to Congress 4 years after the date of enactment. I am told 4 years is necessary.

Mr. SANTORUM. Is this program going to cost anything in addition or—

Secretary REICH. No. This is simply in terms of how the benefits are provided. We are also proposing that the self-employment provision sunset 5 years after enactment. This would not be a permanent change. We want to try it. There is some indication that this helps.

Small business development, as you know, is one of the fastest job generators in this country, and if we can aid people who are unemployed in getting a little bit of capital to start a small business, then not only do we do something about their own unemployment, but we actually might help other people get employment.

Mr. SANTORUM. Thank you.

Can I ask a question? How many States would trigger Emergency Unemployment Compensation benefits right now under the existing emergency benefits structure; the one that this subcommittee passed and this Congress passed a couple of years ago to change the trigger mechanism. How many States would be able to trigger, do you know at this point?

Secretary REICH. By the way, the person who is frantically scribbling notes down for me is Mary Ann Wyrsh, who is in charge of our unemployment insurance system. I am going to turn over to her every question I can't answer. But let me just say this, that we did propose, and this committee and the House of Representatives did cooperate and, indeed, come up with an EB reform, extended benefit reform provision which would reform the Federal-State extended benefit system.

The last time, you recall, in March when I was here, there was a great deal of discussion about trying to get the States to bear more of the burden of extended benefits. We talked about that, we came up with a proposal.

You all felt that it was worthwhile, we put it into reconciliation, but for technical reasons it did not last. It did not get through reconciliation.

But, Mary Ann, if you want to talk about, I think, Washington and Oregon.

Ms. WYRSCH. Washington and Oregon and Puerto Rico would be the three jurisdictions which would be on extended benefits as of October 3, if the Emergency Unemployment Compensation Program—

Mr. SANTORUM. There would be no other States that could trigger on to any other extended benefits, just those three? OK.

Mr. CARDIN. Would the gentleman yield on that point just for clarification?

Mr. SANTORUM. Sure.

Mr. CARDIN. Is that because they don't meet the trigger mechanism or because they haven't enacted the legislation necessary to qualify?

Ms. WYRSCH. That is because they have not enacted the legislation in order to qualify.

Mr. CARDIN. Could we have the number of States.

Mr. SANTORUM. I am sorry. I meant to ask that.

Thank you for that clarification.

Mr. CARDIN. How may States could qualify if they had enabling legislation?

Ms. WYRSCH. We have nine States who would qualify, if they had passed the enabling legislation. Three would be at the 20-week tier and six would be at the 13-week tier.

Mr. SANTORUM. OK.

Mr. KOPETSKI. If the gentleman would yield?

It is my understanding that the three States are providing the extended benefit is because they are paying 100 percent of that out of their own trust fund; is that correct?

Ms. WYRSCH. No, sir, they would be paying 50 percent out of their trust fund.

Secretary REICH. It is now a 50-50 system. You recall that we had proposed and the House had accepted the proposition of a 75-25 system to basically induce more States to trigger on, but that did not last through reconciliation. Now there may be other ways in which we can urge States and provide incentives for States to get involved in extended benefits and that also we are examining that right now and will continue to examine that.

Mr. SANTORUM. Of the 11 States, just for clarification for me, of the 11 States that could trigger on, plus Puerto Rico, it would trigger for how many weeks of extended benefits?

Ms. WYRSCH. Let me be clear, Mr. Santorum. The three States who trigger on are in the total of nine, so in other words, we have nine States who would trigger on if they had passed the legislation. Of those, two did pass the legislation, Washington and Oregon. Puerto Rico triggers on under the insured unemployment rate figures.

Mr. SANTORUM. How many weeks of extended benefits would they receive?

Ms. WYRSCH. In Washington State, they would get 20 weeks of extended benefits. The three States who would get 20 weeks are California, Maine, and Washington. Washington is the only State that has enacted legislation.

The six States who would get 13 weeks are Illinois, Maryland, Nevada, Oregon, South Carolina, and Puerto Rico. Of those States, only Oregon has passed legislation.

Mr. SANTORUM. What would be the effect of us passing extended unemployment benefits on the two States that have triggered?

Ms. WYRSCH. There is a provision that the States can opt to maintain the emergency unemployment status and, in effect, waive their extended benefit status. In fact, in those jurisdictions, they have done that already.



Mr. SANTORUM. You say they have done that. If we come through with Federal benefits, they will suspend their program?

Ms. WYRSCH. No, they won't suspend the extended benefit legislation they have enacted, but the State can opt to stay on the 100 percent emergency program or go to its own 50-50 extended benefit program, and as you can imagine they have opted to stay on the emergency unemployment compensation program.

Secretary REICH. There is no question that we want States to take a greater share of the burden with regard to extended benefits, and that is one of the directions of reform, and that is what we proposed last spring, and that is why you all accepted that proposal and we put it into bill form, that 75-25 inducement for States.

Now, that did not survive. There may be other things that we can do and we are looking at a variety of options. That is another category of changes which, in our view, have got to occur in terms of phasing this EUC program down.

Mr. SANTORUM. But isn't this program working, at least to some degree? We have some States that have triggered on, which is what you want them to do because we want to share the burden, particularly in the high-unemployment States. Isn't that what we want them to do, and by going forward now and passing a Federal extension, we will have, in a sense, taken the States off the hook again?

Secretary REICH. Look, let's be very candid about this; we are to some extent taking some States off the hook. If there were no EUC program at all, and if beginning October 2, the week of October 2, 50,000 people in America had exhausted their normal unemployment insurance, there would be a great deal of political pressure in some of these States to do something about it.

Now, remember, we are only seeking for most people that have exhausted their regular unemployment insurance benefits in most States only 7 weeks. That is not a huge amount of help for many of these people. The political pressure is still going to be there, we think.

Chairman FORD. The time of the gentleman has expired.

Mr. McDermott, please.

Mr. McDERMOTT. I was just going to ask one question, being one of the States that passed the EB Trigger law. I am proud the legislature went to work in Washington State.

Does the State have the option of which benefit package somebody can choose? Of the two programs, Extended Benefits Program and the emergency program that comes out of the Federal Government, does the State have the option to choose or does the individual have the option to choose?

Ms. WYRSCH. State.

Secretary REICH. The State has the option, yes.

Mr. McDERMOTT. OK. Thank you.

Chairman FORD. Mr. Levin.

Mr. LEVIN. Thank you.

I think we all applaud the emphasis on reforming the entire system. There are some who may say: Why isn't it ready in October. But on the other hand, some people criticize the administration for trying to do too much all at once. And I think we should accept

your dedicated efforts to really come up with a comprehensive reform and one that links unemployment with retraining.

We have been talking about that for years, and it hasn't happened, and the new administration is serious about it. I also hope we all applaud your point that we all have a joint obligation.

We have a joint obligation here to try to find some funding. Clearly, the administration does, but so does the legislature, and I think both sides of the aisle. I think there is common ground, Mr. Secretary, that we don't want to waive the Budget Act, we don't want to declare an emergency here, that we ought to pay for it, and so all of us need to join together to find that source.

We are talking about 250,000 people each month. Now let me just ask you, because there has been some reference to State reserves, and we want to shift more of this responsibility to the States within a reformed program. I was just looking at a chart on the financial condition of State unemployment comp programs, and so that we understand what is the condition of State unemployment funds, as I see it, and maybe the ratio figure isn't the best one, but the ratio of 1992 to 1970, maybe a different base year should be used, but it would appear that a lot of the States don't have unemployment funds that are in very strong shape.

Secretary REICH. That is correct, Congressman.

Mr. LEVIN. I think we want to put the pressure on the States, but we have to look at the condition of the State funds, and it may not be surprising that some of the States that have acted have unemployment funds that are in better shape than States that have not acted. So I think we want to be careful not to point fingers here.

Some of the States that have not acted are in rather bad shape. For example, looking at States like Massachusetts and Michigan, actually I think we have to change the law for Michigan to act. They are in a zero ratio fund position.

Pennsylvania is in a difficult position today, compared with 1970, and so I don't think any of us should say to Mr. Santorum, we talked about this 7, 8 months ago, why doesn't the Pennsylvania legislature act. Well, there is a reason why it is not acting on the 50-50 deal, and that is, as I read this anyway, its unemployment funds do not seem to be in particularly strong shape. So I would hope that we could all join together to find the funds here.

Now, if my analysis of the shape of State funding is wrong, if a lot of the States that could opt into the 50-50 program have the reserves to do it or if a lot of the States have reserves, then we ought to create in a few days some different program to put the heat on them, then I think you should tell us that. But if this is a quandary that doesn't have a ready-made State solution, we should also know that. So if you would just tell us where we are as a community, as a country.

Secretary REICH. Let's talk about that as a community and as a country, because rather than drawing the boundary between the State and the Federal, although that is an interesting and important question. We also should see between the private sector and taxpayers how this is all playing out. And in order that the States who are now virtually bankrupt or who have very, very little money in their trust funds could increase and replenish those trust

funds, they would obviously have to either increase their unemployment insurance taxes on businesses in the State or reduce benefits for unemployed workers in that State.

Ultimately, the \$35 billion a year that we have been spending over the last 2 years, that is the \$12 billion and then also the additional billions from the regular fund, of that, we have an allocation for the most part from the business community. Or to say it another way, over the last 2 years, American business has been spending from \$21 to \$23 billion a year on unemployment insurance.

Now, this is a tremendous burden to American business. That is why I am so intent, that is why the Clinton administration is so intent on shifting to a reemployment insurance system which recognizes the realities of structural unemployment rather than cyclical unemployment.

One more point in response to your earlier point. We are virtually ready to go with regard to a reemployment insurance proposal. The question that remains, and it is, of course, the biggest question that remains in all of these discussions, is how to pay for it. To the extent that there is an assured funding stream, and I believe there does have to be, then we have got to be in the position to come back to all of you and work with you in trying to find where that assured funding stream is going to come from. That will be cheaper over the long term, far cheaper than coming back every 6 months and trying to have an emergency benefit program, but nonetheless, the threshold issue is precisely the same.

Mr. LEVIN. Thank you.

Thank you, Mr. Chairman.

Chairman FORD. Mr. Grandy.

Mr. GRANDY. Thank you, Mr. Chairman.

Mr. Secretary, when we visited this issue in March of this year, the statistics that were provided by the Department of Labor indicated that the trust fund balances of the 21 States that could trigger extended benefits in March were running about \$16 billion in surplus and the Federal Trust Fund had about \$1.2 in net obligations against it, so that was the point we were making to try to pull the Downey trigger at that point.

Are you saying now this money is substantially reduced and there is nothing left in these trust funds? That is not my understanding.

Secretary REICH. No, no, there are certain States.

Mr. GRANDY. OK. My understanding is that there are 11 States that meet both the 6.5 total unemployment figure and the 110 percent figure of their previous average. I won't go into detail on that because I am not sure I totally understand that number, but there are 30 States that meet the 6.5 total unemployment but do not reach back to 110 percent, so they technically, perhaps, would not qualify.

I still think, given the fact that we can't find the money and we are not marking up today because we don't have a revenue offset, there ought to be some way that we can certainly revisit the incentives to States to trigger on these benefits, whether it is eliminating the 110 percent requirement and possibly going to the 75-25. But I also picked up from Mr. Santorum's questioning, that the



State governments right now, if they enact the extended benefit program as Washington has done, they pay 50 percent of benefits for—is it, 20 or 26 weeks that you have triggered? Twenty.

If they do nothing and they get 7 to 13 weeks, they get 100 percent of the benefits for 13 weeks or 7 weeks, but, of course, their workers are disadvantaged. In other words, the people that are out of work in Washington have a choice between 13 weeks paid entirely by Uncle Sam or 20 weeks paid partially by Uncle Sam and partially by the State of Washington. That doesn't seem like a very good deal if you are out of work. We are kind of shifting the cost back and forth.

The purpose of the Downey trigger was to make the States go first. I guess I think we need to use this particular short-term extension to make the Downey trigger work, to see if it works. I would support you if you wanted to go to 75–25, and I would support you if you wanted to say let's lift 110 percent, but I think we also have to put some measure into the law that says you have got to go first in order to qualify for the benefits in this short-term extension. You can't keep shifting the cost.

Now, how do we pay for that? We advanced an idea last year, which did not find favor in this committee, where we said if you delayed the benefits for 3 weeks, upon enactment, you could pay for an entire 52-week extension. In other words, once benefits start, they don't start automatically, you delay the implementation and use those savings to pay for the extension.

I am thinking, as I am listening to my colleagues here trying to scramble for a way to pay for this, if you offered the following incentives to States: you only have to pay 25 percent, and you don't have to get 110 percent of your previous unemployment to qualify, you can get into the program. However, but if you don't, we will delay the benefits for a week or so before they kick in, in order to pay for the broad-based extension; is that a workable idea?

Secretary REICH. Well, we will be examining today and tomorrow and as long as we have to examine it all ideas, and that is an idea that should be on the table.

Mr. GRANDY. Let me just add one more thought, because your re-employment—self-employment option I like, it tracks very closely with the microenterprise option that I introduced in this committee for people below the poverty line. I think there should not be one set of criteria for people who want to self-employ just because they have lost a job and people who want to self-employ because they have never been able to find a job.

I applaud what you are doing there, but again maybe you want to use that option as something States can use in the short run if they take the 75–25 obligation. I am trying to figure out the right amount of incentive and penalty to get them to go before we have to.

Secretary REICH. What we ought to do, in my judgment, during the next 6 months with most people getting only 7 weeks, is examine getting rid of the 110 percent requirement, examine the 75–25 cost sharing, examine even a mandatory triggering with regard to the States, and consider other options such as maybe a delay or waiting period for the receipt of the unemployment benefit.

The only thing I worry about a little bit with regard to delaying the unemployment benefit is that not only may we be putting pressure on the States, but we may be hurting a lot of individuals in doing so. So, obviously, the whole purpose of this exercise is to make sure that working members of society can make ends meet when they lose their jobs.

Mr. GRANDY. But essentially on that point, what you are doing is putting the burden of proof back on the governor and the legislature, saying we don't want to cut off the benefits, that is why you with flush trust funds should take this deal, and we will pick up 25, you pay 75 out of yours.

Secretary REICH. We can do that through any number of means.

Mr. GRANDY. It is, in a sense, a kind of variation on time limitation that we are now discussing in welfare reform, we are going to time limit the benefit, but you can kick in immediately if you take a formula that is at least partially responsible at the State level.

Secretary REICH. Congressman, I think all of these need to be on the table. And in addition, and perhaps most importantly, moving from the unemployment insurance system to a reemployment insurance system, that over the next 6 months our goal together ought to be to not only get the States to take more responsibility with regard to any extended benefits necessary but also to reduce the necessity for extended benefits in the first place.

Mr. GRANDY. Well, again, just revisiting the politics of paying for it, you are probably shopping for some offset that we can all agree to. I am not sure you are going to find one. We have never all agreed to an offset yet, but I do think that perhaps we should, if we can, try and figure out what the savings might be if benefits were delayed for a week, and seeing if you could pay for a full 7 or 13 weeks just by putting that option in, and how many States would go for that combination of mandates and incentives.

I think that is something that I want to explore at least by the time the committee marks up, because the problem on unemployment is if you get the tax too far from the subject matter that we are trying to fund, it becomes, I think, dangerous to the credibility and solvency of the system. In other words, we have considered reaching out and taxing underground storage tanks to pay for unemployment. That kind of flies in the face of why we asked employers to pay FUTA taxes in the first place; wouldn't you agree?

Secretary REICH. I think there is that danger.

Mr. GRANDY. I am worried about that. I want this employment system to work. I would rather have welfare work more like unemployment than to have unemployment work more like welfare, to pick up on something the Chairman said. That is all I have.

Mr. LEVIN. Would the gentleman yield just very briefly?

Mr. GRANDY. Yes.

Mr. LEVIN. I think it is useful to have a little dialogue as we search for some solution. Essentially, under that approach, we in Washington would be telling the States how to run the system. The 1-week waiting period is a highly controversial issue, and States answer it in different ways. And we have been through this in Michigan many, many times around the track.

Mr. GRANDY. Well, if I can reclaim my time?



There is no easy way to do this now. We don't have any money, some States do. I think there is some merit in trying to shift the cost back.

I am proposing using that 1 week, to some extent, as the vinegar in order to get the honey. I didn't purport that it was going to be easy, but I think that going out and finding a tax somewhere that will get us a billion dollars of offset isn't going to be particularly easy either, and I would assume you want some kind of bipartisan agreement on this so that we don't wrestle the unemployment situation to the ground the way we have and possibly miss the deadline if there is a filibuster in the Senate.

Secretary REICH. We have to look at all options.

Mr. SANTORUM. Will the gentleman yield for 1 second to clarify your point on the situation in Washington?

Are you saying if I am the individual in Washington, and that if the State of Washington accepts the Federal benefits, the 13 weeks, the unemployed person would, in fact, lose out? They would get less—they would only get 13 weeks as opposed to 20 weeks?

Secretary REICH. Yes, that is right.

Mr. LEVIN. Seven versus twenty weeks.

Mr. SANTORUM. No, Washington would qualify. I assume Washington would qualify for 13 weeks under the——

Secretary REICH. No, it would qualify for 7 weeks because Washington is not one of the high-unemployment States.

Mr. SANTORUM. So they would get 7 weeks instead of 20 weeks?

Secretary REICH. Yes.

Mr. SANTORUM. OK.

Chairman FORD. Mr. Kopetski.

Mr. KOPETSKI. Thank you, Mr. Chairman.

Mr. Secretary, I appreciate your interest in adding my colleague from Oregon Mr. Wyden's self-employment proposal to the legislation. I was interested in some of the requests that Chairman Ford has made, and I would be interested to know specifically what the welfare costs for these people that would go on welfare because they have lost their extended benefits, that would go on to the rolls from October 2 to January 15? I think that is a very real and practical number we ought to look at when we go to the Floor because, obviously, that is what happens to these people, they don't all of a sudden get rich. In fact, the opposite happens, they go to the welfare system, and that costs the Federal taxpayers and the States money as well; is that possible to dig that up?

Secretary REICH. Yes. In fact, we have been working on that and we could give you the best data we have on that.

[The following was subsequently received:]

Although I cannot answer that question with precision, it is safe to assume that welfare benefits would increase somewhat if the EUC program is not extended. Unemployed individuals who have exhausted their regular UI benefits will not qualify for EUC benefits and will therefore be more likely to receive welfare. For example, a mathematica study for the Labor Department found that at the end of the 1980s, 7 percent of workers who had exhausted their UI benefits received AFDC, supplemental security income, or other welfare benefits. When these workers, who ultimately exhausted their UI benefits, first began to receive UI benefits, 4.3 percent received welfare benefits.

Mr. KOPETSKI. I guess the next question I have, whether the States, whether it is Washington or Oregon or other States that

have taken action, if they and we take action, will they get paid back for their responsibility? In other words, won't they be putting out some of their own State money?

I mean, they will be. Right now, they have committed to putting out some of their own trust fund monies.

Secretary REICH. You mean if they opt for the State, the 50-50, or under what circumstance?

Mr. KOPETSKI. If they pass an extension program in the next week, that would, I assume—let's assume what it would be is 100-percent federally funded. Would such States as Oregon and Washington get paid back if they have committed funds?

Secretary REICH. If I understand your question correctly, if—not to pick on the State of Washington but let's pick on the State of Washington for this example. If the State of Washington, which already has a 50-50 program for 20 weeks, if it opts for the Federal emergency benefit program, should we have a Federal emergency benefit program after October 2, you are saying would the State of Washington get paid back for certain outlays that it makes?

Mr. KOPETSKI. Will they have that option, I guess, for this particular 3-month period, to opt into the 100-percent program?

Ms. WYRSCH. Yes, they do have that option and they can do that.

Mr. KOPETSKI. The next question is, just to comment on why some of these State funds are nearly broke and aren't very healthy. Many States such as Oregon and others in this country, in the 1970s and 1980s, they did do major reforms. Included in those reforms were compromises on both sides of workers and employers. Employers paid a healthier tax, and that put States like Oregon at a competitive disadvantage in terms of attracting businesses to Oregon, and workers compromised in such areas as tougher voluntary quits legislation. That is why Oregon has been very responsible through the years in these things. And other States, quite frankly, didn't raise their taxes, and they didn't do the reforms.

In my State, we pay 65 percent of the average weekly wage as well. We are up there in terms of benefits to people, but we did this in the 1970s and 1980s, and acted very responsibly. So though I have sympathy for their unemployed workers in those States, I don't have a heck of a lot of sympathy for those State funds.

Secretary REICH. Congressman, as I said, you are absolutely correct. There is nothing stopping a State from now enacting legislation which would increase their taxes or even, although I don't favor it, reduce their benefits in order to replenish or enlarge their funds.

Mr. KOPETSKI. Well, actually when we did our reforms, we increased the benefits to workers as part of the reform effort, but we got tough on people who voluntarily quit jobs, and there is a huge savings in that area. I guess my final question is what is going to change between now and January 15, realistically?

Are you going to be back here asking for, in the middle of winter, in the middle of winter when employment seasons generally, it is a tougher time to find a job, are you going to be coming in next month with a piece of legislation for reform so that we are not asking for another extension, because I think that is the reality.

Secretary REICH. Let me tell you what our intention is—but, obviously, we need you and I need your help. Our intention is to come

back to you with reforms with regard to the extended benefit program, the Federal-State program. I want to keep everything on the table; no decision has been made. I want to work with you to improve that program over the next 6 months. I also want to work with you in getting some sort of assured income stream for workers, who may need additional funding after their regular unemployment insurance, to get training or job search assistance for the next job.

Now, we are in this particular round, and again I want to emphasize, we are beginning the process of shifting to a reemployment system. The self-employment option, the short-term compensation option, in addition to the profiling that is the identification option we put into the last round, these are all pieces in the puzzle moving toward a reemployment system, but we would like to come back with a more dramatic, a bolder, a more comprehensive reemployment system to help people get jobs quicker.

Mr. KOPETSKI. Mr. Secretary, if I understood your answer, that could be up to 6 months from now. And I guess my question really is, what are we going to do between now and January 15 so that we aren't coming back asking for an extended program?

Are you saying that you are going to have these reforms proposed to the Congress in the next month, that we are going to act on before we adjourn December 24?

Secretary REICH. Our goal with regard to extended benefit reform, would be to get you proposals as soon as we possibly can and certainly within the next 6 months, hopefully, before Christmas.

With regard to the comprehensive dislocated worker proposal, we are now trying to figure that one out. I don't want to come back to the committee with any proposal, obviously, until we can figure out where the funding would come from for that proposal should there be an assured funding source. And the moment we come up with some decision there, you can bet that I will be back here.

Mr. KOPETSKI. Mr. Secretary, let me try it a different way. If you are not successful in bringing the reform proposals to the Congress before we adjourn this year, will the Department of Labor be coming back to ask for an extension whether it be retroactive to January 15 or picking up from that forward on an extended benefit program emergency situation?

Secretary REICH. Congressman, all I can say is that I will make—and I pledge to you, I promise to you I will make every effort to reform the system and to present you and this committee and Congress with extended benefit reforms which conceivably could be enacted before the next round of extended benefits would be needed, and I will also make every effort to come back to Congress with legislation with regard to comprehensive reforms for dislocated workers. I just simply can't promise that I will be able to do that or—certainly I can't promise that Congress will be able to act nor can I promise at this time that I won't be back in January seeking another extension.

I don't want to be. I wasn't looking forward to coming back this time for an extension. When we went through this in March, my hope was that we could get an extended benefit reform, we did try, and the House tried and we tried and we just didn't get it through reconciliation. All I can say is that we will continue to push on both



fronts, the extended benefit front of reform, and also reform of the entire job search/job seeking system, and we will do that as soon as we possibly can. And with any luck and with your help, we will be able to phase out the current Federal emergency benefit program.

Let me also draw your attention, though, to the fact that we are, in effect, phasing out. Most States here, aside from a handful of States, we are only talking about 7 weeks of emergency benefits for workers. You remember in November 1991, and in the second and third round, we were talking about a 20- and 26-week extension.

This is a program in the process of being phased out, so that although I don't want to come back in January, and I will do any and everything I can to avoid coming back in January, if Americans are in trouble, if Americans are hurting, I have an obligation to come back.

Mr. KOPETSKI. I appreciate that, Mr. Secretary. I think as a Nation we have, as Jefferson said, a responsibility to the care of human life in our country, and I will do anything and everything possible to work with you and have your plans come to fruition, hopefully, before January 15.

Thank you.

Thank you, Mr. Chairman.

Chairman FORD. Mr. Cardin.

Mr. CARDIN. Thank you, Mr. Chairman.

Mr. Secretary, just one point of clarification. The legislation that you recommend extends emergency unemployment benefits through April 2 rather than January?

Secretary REICH. That is right, April 2. In effect, it would extend to April 2, that is right, the 6 months, I am sorry.

Mr. CARDIN. I think there is a general consensus, at least on this committee. We need to do something to extend emergency unemployment benefits, but it must not be adequately funded in a rational way.

Secondly, we need to change and reform our extended benefit program. The discussion between members of this committee shows our frustration and disappointment. We have attempted to partner the States in providing some additional protection to unemployed workers, but that has not worked.

Your testimony points to the structural unemployment problems that we have. I cannot understand why the 110 percent provisions are in the trigger mechanisms for 6.5 percent unemployment. If unemployment is structural, what is the rationale for continuing the trigger mechanism of 110 percent?

Secretary REICH. We are taking a close look at that. I believe we are shifting from cyclical to structural unemployment. I agree with the premise of your question, the 110 percent doesn't make a great deal of sense.

If the structural unemployment continues to be high, then that 110-percent figure, which is premised on cyclical unemployment, is obsolete.

Mr. CARDIN. You have said that if we don't extend emergency benefits, each week, 50,000 more unemployed will exhaust their regular unemployment insurance, and be left without any benefits.

Secretary REICH. Yes.

Mr. CARDIN. Do you know how many Americans today are exhausting their emergency unemployment benefits?

Secretary REICH. We don't have it, but we can get it for you. [The following was subsequently received:]

About 190,000 claimants exhausted emergency benefits in August 1993.

Mr. CARDIN. I understand the desire to phaseout the Federal Emergency Unemployment Compensation benefits. However, I am concerned as to how many people are going to be left out after 7 or 13 weeks of unemployment. Is there a strong rationale to change from the 20-26 weeks, other than the financial problems that the Federal Government is confronting and the 7-13 program.

Could you tell us why we are just providing a bridge for people without revenue, in order to sustain their family obligations? Or are we providing an opportunity for them to return to the work force?

Secretary REICH. All of the data I have seen suggest that the longer someone has, with regard to unemployment compensation, the likelier it is that some job comes along, and that is particularly the case now with regard to the beginning of a jobs recovery, so that even though 7 weeks is not much relative to 20 or 26 weeks, it certainly is something relative to no weeks, and it gives it that extra cushion.

I understand your question entirely, why are we doing it at all if we are not providing more opportunity for somebody to get a job. I believe that we are providing that extra cushion for somebody to get a job. Why not 20 or 26 weeks, you might say? Well, the primary reason is financial. We simply can't afford it.

The secondary reason is the phaseout. We believe that we do have to begin phasing out what has become a kind of de facto entitlement, and we want States to take more responsibility; we want individuals to take more responsibility; we also want to move to a very different kind of system.

Mr. CARDIN. I agree with all those points. The statistics presented to this committee show that the unemployment situation is still very severe. The rationale is there for the emergency benefits before.

Your point about holding States responsible is one that will be well received here in Congress. We have a program in which the States were supposed to participate but have not.

Consequently, we have a program that is not meeting the needs of our people during this difficult time. I opt to try to change the system by using the State's as well as the Federal resources. This could provide the necessary help to people who are unemployed, through no fault of their own.

Secretary REICH. I agree.

Again, I want to stress: you tried, and we tried. Unfortunately, we didn't get it through the reconciliation process, but we did have that proposal there and we can try again. And I think all of the other options that have been put on the table this morning with regard to getting rid of the 110 percent, possibly moving to a mandatory trigger, looking at other ways of getting States involved also ought to be examined.

Mr. CARDIN. Thank you, Mr. Chairman.



Chairman FORD. Mr. Coyne.

Mr. COYNE. I have no questions.

Chairman FORD. Mr. Secretary, thank you very much for coming out this morning. Hopefully we are going to find some mechanism today or tomorrow to fund this extension of emergency unemployment compensation benefits. I want to thank you.

Let me announce that I am going to accommodate another group.

Mr. Secretary, you certainly may leave. We scheduled this session thinking that we were going to have a markup on the unemployment compensation legislation this afternoon before the full Committee on Ways and Means. That has now been postponed. The markup was why we had not scheduled other witnesses to testify.

I would be more than happy as Chairman of this subcommittee to hear one of the representatives from the group that is here. If you have a written statement we could make copies of it.

Mr. Secretary, you may be excused now.

I would like to hear from a representative of the Mon Valley Unemployment Committee.

Secretary REICH. Thank you, Mr. Chairman.

Chairman FORD. Thank you very much, Mr. Secretary, thank you for coming.

Chairman FORD. As Chairman, I ask unanimous consent of the subcommittee that we hear from a representative of the group.

We would have had a public hearing with other witnesses had we not been informed that we were going to have a markup session this afternoon. We wanted to hear from the administration about a mechanism to finance the unemployment bill.

You are welcome to come here to the mike and take a seat. Please identify yourself and your group and your organization.

You may proceed with your testimony.

#### **STATEMENT OF KEITH BROOKS, DIRECTOR, NEW YORK UNEMPLOYED COMMITTEE**

Mr. BROOKS. My name is Keith Brooks. I am the Director of the New York Unemployed Committee. I would ask, if it is all the same to you, that there are two other organizations, one from New Jersey and one from Pennsylvania, if they could also have a representative to—

Chairman FORD. No, I won't permit that today, only because we don't have copies.

They may join you at the panel in case there are questions from the members. This is out of order, but I want to not allow you an opportunity to testify.

I would like to have just one of you as a representative to be the spokesperson.

You may proceed at this time. Your name is Mr. Keith Brooks; is that right?

Mr. BROOKS. Right.

Chairman FORD. You are with?

Mr. BROOKS. I am the director of the New York Unemployed Committee.

Chairman FORD. New York Unemployed Committee.

Mr. Brooks, you may proceed.

Mr. BROOKS. We would like to thank you for the accommodation, because it was increasingly disturbing to sit there and listen to only the back and forth between the Secretary of Labor and the panel, when we certainly have a lot to say, and we think that there are a number of points that were not said, or at least not said as directly as I think we are going to say them.

There is a written thing that we are going to submit. I think it will actually be revised.

Also, speaking for the New York Unemployed Committee, in particular, that we are even more upset after hearing the testimony today than I thought we would be. We had anticipated that, at the very least, the administration was going to propose 15 and 10 weeks, which is the current level. For all intents and purposes, it is really 10 weeks in most States, and the level of 7 weeks of benefits is simply grossly inadequate.

Somebody asked the question about how many people are exhausting EUC benefits, and that is averaging between 200,000, 210,000, 230,000, 190,000, it is about the same as the number of people exhausting their first 26 weeks. So if there is this tremendous concern for people exhausting their first 26 weeks of benefits, it is about the same number for people who are running out of all available benefits.

I would also like to point out that our experience is that while ultimately people, a certain proportion do get on welfare, our experience is that for our members and people that we see, is that people wind up in a "no man's land," without a job, without any unemployment benefits, and unable to qualify for public assistance, at first, because they are not totally destitute; in order to get public assistance in this country, you have to be totally destitute.

It is not a poverty prevention program, it is a poverty maintenance program. We see people having to spend their pensions and their IRAs and sell their luxury \$3,500 cars in order to get on public assistance, if they can get that to begin with. So we very strongly feel that the administration's proposal is grossly inadequate.

The idea that the Secretary will come back here in January, well, that will be about 2 months after most people have run out of their 7 weeks of benefits, and we don't understand why there hasn't—we would urge that there be amendments for at least another 13 weeks of extensions, usually extensions have been done on a quarterly basis, so that is number one.

You also have the question of all the people that have run out of their benefits previous to this, and we also think that any real attempt to deal with the issue has to—I think you started to address the issue, and we are very glad to hear that. It has to be put on the table, as far as we are concerned, a proposal for a government jobs program.

I mean, a lot of us are familiar with CETA, and we all know that there were problems with CETA. And as Barney Oursler from Mon Valley said to me as you raised that, CETA would look good right now. I mean at one point, CETA employed 750,000 people in this country. That would be a substantial dent in the unemployment rate.

So we think that any attempt to deal with the unemployment problem has to combine both a real and adequate unemployment

compensation system, it needs to be pointed out that this country has one of the weakest in the western world, combined with a government jobs program. I know from experience how controversial even using that phrase has become, not jobs bill, not jobs, a government jobs program like this government used to do in major recessions, whether it was CETA or others, and we think that has to be put back on the table and has to be entered into the debate.

The last major point that I will make is that we are concerned not only with the adequacy of the administration's proposal—and we were glad that the administration did propose something, because 2 months ago when we were calling Secretary of Labor Reich's office, we were being told directly that there will be no more EUC. So there was a change. And we are glad to see that, even if it is inadequate.

But at the same time, we are also concerned with the Republican opposition and how strongly the Democrats will fight that opposition. That is a concern of ours.

Also, I would make a couple of recommendations to the Secretary, who is no longer here, but perhaps he will read it, but I doubt it—that he should do a tracking survey of those people who exhaust their 7 weeks of benefits and see how many of them have a job a month later, 2 months later. Seven weeks of benefits is better than nothing, but it is close to nothing.

As far as the funding, this gets back to an argument that we made when we fought against—when Bush, ex-President Bush was in office, which is there is a kind of "Alice in Wonderland" logic here. As far as we are concerned, and correct me if I am wrong, our view is that the money is already there, that there is a tax that employers pay, an unemployment tax.

Part of that tax is specifically earmarked for the Extended Unemployment Compensation account. I understand that there is close to \$2 billion. My figures might be wrong. And it is either a charade to say that there are dedicated taxes, which might be the case, or the money is there—and in some ways, there was a valid point being made, it is like why have to figure out how to pay for something twice if the money is already there. That is one side of it. And the other side of it is I don't think any of us have any problem proposing that, if necessary, the tax on employers be raised, because if you take a look at the actual amount that is paid, either State by State or nationally, the average is unbelievably low.

I know in New York State the actual average paid in terms of the unemployment insurance tax is something like two-tenths of 1 percentage point on the first \$7,000 of people's wages. I might be off by one- or two-tenths here or there, but it is minuscule—so we have no problem with that.

The other thing is ultimately the rhetoric that we heard today is really not much different than the rhetoric—I am talking about on the Labor Secretary's side and on your side—is not much different than the rhetoric that we would say amongst ourselves, there is a very high level of rhetoric here in terms of recognizing the problem.

The gap between the rhetoric and the solutions is absurd, and it is almost—it would be laughable if it wasn't for the very real question of economic survival. For people to come in here and talk about 250,000 people a month running out of their benefits, about more long-term unemployed now than in 1991, about more unemployed now than in 1991, and suggesting 7 more weeks of unemployment benefits; it is just not going to cut it.

Thank you for all the time.

[The prepared statement follows:]



**NEW YORK UNEMPLOYED COMMITTEE  
BOX 170102, BKLYN NY 11217**

SEPTEMBER 22, 1993

CONTACT: KEITH BROOKS, 212-964-4839

**NEW YORK UNEMPLOYED COMMITTEE STATEMENT AT SEPTEMBER 22,  
1993 HOUSE WAYS AND MEANS COMMITTEE HEARING ON EXTENDING  
EMERGENCY UNEMPLOYMENT COMPENSATION (EUC) PROGRAM**

We are here today, along with representatives of the Jersey Unemployment Project and the Mon Valley Unemployed Committee on behalf of millions of unemployed workers to urge President Clinton and the Congress to continue the Emergency Unemployment Compensation (EUC) program past its October 2nd expiration date, to pass a comprehensive jobs bill, and to announce that we will hold a Lobby and Rally Day in Washington DC on September 28 focusing on these matters of economic survival.

We welcome President Clinton's support for continuing the EUC program. But the **TEN WEEKS OF EUC CURRENTLY AVAILABLE IN MOST STATES FOR THOSE WHO HAVE EXHAUSTED THEIR FIRST 26 WEEKS OF UNEMPLOYMENT BENEFITS IS SIMPLY NOT SUFFICIENT IN WHAT REMAINS A JOBLESS RECOVERY.** The Labor Department's own statistics, which grossly underestimate the unemployment numbers, count more unemployed now (8.7 million) than when EUC began in 1991 (8.5 million), as well as more long term unemployed.

And even with the 20 weeks of EUC available before they were cut by half on September 13, *over 2 million people exhausted all benefits since the President took office, with New York accounting for 10% of all EUC exhaustees.* The ten weeks currently available will not even get people through the winter. Any proposal that ignores the economic survival needs of those without a job or income is **grossly inadequate.**

We are concerned not only with the adequacy of the administration's proposal, but with the predictable Republican opposition to any continuation of EUC--*and how strongly the Democrats will fight that opposition.*

Any attempt to address the real needs of the unemployed has to be two-pronged: first, provide adequate unemployment compensation by **RESTORING THE 33 WEEKS OF EUC** that were available in 1992, and provide **ANOTHER 13 WEEKS FOR ALL EUC EXHAUSTEES.** Second, the real issue here is **JOBS.** We urge the President to take this issue to the public and **FIGHT FOR A COMPREHENSIVE JOBS PROGRAM** to re-train and put millions back to work, rebuilding the infrastructure and in human and public services like child care. And it should *give priority to those most in need: the long term unemployed and the Black and Latino communities, where unemployment is double the national average.*

And until those jobs exist, we also need an **end to the taxation of our unemployment benefits, and guaranteed health care for the unemployed.**



Chairman FORD. Mr. Kopetski.

Mr. KOPETSKI. Thank you, Mr. Chairman.

I appreciate your testimony. It would take too long to explain why in this governmental process we do need to raise taxes or cut some programs even though the trust fund on paper has a couple billion dollars in it. The reality is we have to do that.

Next, the House, I think, in particular, is a representative body, and it is not just—I wouldn't just brand Republicans who would be somewhat apprehensive, at least in terms of voting for something that is considered a tax increase. We have a lot of Democrats there, too.

I have been one that supports people programs, and I am willing to vote some taxes to do that. That is my record in the House. But the fact is for members to feel a little more secure about voting for these programs, leaders of workers in this country have a responsibility to notify their local legislators that this is an important program and it is high on their agenda. And they would—you would appreciate a "yes" vote.

The fact is, I haven't heard from anybody, whether they are leaders of working folks or not, from my State, and the clock has been ticking on this.

Mr. BROOKS. Excuse my ignorance, but what State are you from?

Mr. KOPETSKI. Oregon.

Mr. BROOKS. Well, we will make sure we get some people to call you.

Mr. KOPETSKI. I don't think I am much different from other members.

Mr. BROOKS. I think that is true. And I think as somebody who organizes at the unemployment office, along with other people, I mean, literally 3 and 4 days a week, the level of information that is made available to the unemployed by the unemployment offices is ridiculous. We are the ones who inform people that the extension ends on October 2. That is not put in a check a month before to forewarn people. That is number one.

The press, the media has been virtually silent on this impending expiration date. I know from experience what will happen on October 3, if there is no extension, which is that—you know, I once said to somebody who worked at the unemployment office the last time this happened, I said to them: I bet you that hundreds of people must have come in here looking for an extension that didn't exist, a day after it went out of existence. And the person who worked in the unemployment office said to me: Not hundreds, thousands. And that is exactly what will happen. I agree.

We try to do as much as we can to inform people. But there has been very little attention paid to this, both from the press, which plays a role in promoting what is an issue and what isn't, as we can see with health care, which will overwhelm this discussion, I am sure, on the one hand, and on the other hand, I think it is a severe criticism of the unemployment insurance system that it is almost—well, it is not almost by design. We see it as a bit by design that people are kept in the dark as to deadlines, as to when their benefits expire and the rest of it. I think that is why you don't see the kind of anger until it is too late, then people get cynical about it.



Mr. KOPETSKI. I appreciate you and commend you for your efforts in this area and wish you good luck.

Mr. BROOKS. It seems like we are going to need it.

Mr. KOPETSKI [presiding]. Mr. Cardin.

Mr. CARDIN. First, I want to thank the Chairman for permitting you to testify today. Unfortunately, we deal with statistics and large numbers. You have humanized this by showing how the people are going to be directly affected by our decisions. So I want to thank you for your testimony.

Mr. BROOKS. I want to thank Mr. Cardin for that statement. Mr. Cardin actually was a Member of the Maryland State legislature when Maryland did what no other State since then has done, which was, in fact, to enact a 13-week emergency benefit program on its own in 1982; right?

Mr. CARDIN. Right.

Mr. KOPETSKI. I thank each one of you for taking the time to come here.

Did you have some testimony?

I am sorry?

#### STATEMENT OF EDWARD J. KELLY, NEW JERSEY UNEMPLOYMENT PROJECT

Mr. KELLY. Mr. Kopetski.

Mr. KOPETSKI. Could you identify yourself for the record.

Mr. KELLY. Congressman Kopetski, there has been a lot of rhetoric, we, quite frankly, get quite tired of it. We hear statistics and they are false. We get it from the State Department of Labor, we get it from the Federal Department of Labor, and we got it from Secretary Reich today.

He didn't have the figures on those who fell off. We were astounded. We sat there and we couldn't believe the Secretary of Labor came down here and didn't have those figures.

Mr. KOPETSKI. Well, Secretary Reich is known for his exactness, and I think what—he could give a round number, but he didn't have the precise number.

Mr. KELLY. I wish he would have given the round numbers.

Mr. KOPETSKI. We have those, it is, roughly, 250,000 to 350,000 people a month. But he will get those facts back to us.

Mr. KELLY. Congressman, Kopetski, I won't belabor it, but the figures are wrong. I go down to the unemployment office in Jersey, New Jersey, what they do there, they have two mailboxes there, painted white. You take your mail in because, simply because you can't mail it out no later than the date, Sunday night. If you take it down Sunday, physically, you get your check a few days earlier.

I see a thousand people, I hand out a thousand flyers each Sunday. That to me is a great barometer as to how the unemployment is in south Jersey.

July 1992, as of January 1993, there was 113,000 people who fell off unemployment in the State of New Jersey alone. We knew then it hadn't gotten better by President Clinton. We wish him well, we want to see him succeed. He succeeds, we succeed.

The point being is, he hasn't succeeded as of this point. I have been told: Give him a chance. And we want to do only that, we want to see him succeed.

What is happening from January 1993, as of now, there was another 120,000 who fell off again in Jersey. We are talking close to a quarter of a million people. If those people in Jersey were employed, we would have heard it.

Governor Florio is coming up for reelection, that would have been a banner for him: Look what I did in the State of New Jersey.

I am not here to knock Governor Florio, I am not here to knock anyone. All I am here to say is, what I see on a Sunday, I don't see it decreasing. We have handed out vast numbers of petitions, and I have a thousand of them today.

I have got another 7,000 we are going to bring back when we come down here on September 28. That is over 8,000 signatures.

We are getting some from down South, we are getting them from New York, we are getting them from Pittsburgh. My point being, is you have really got to look at the figures. You have to find out where you are getting these figures, because we are down in the trenches. We know.

I am not saying, Congressman, that you are not. You are simply not. You are not there on a daily basis. You don't know what goes on from Friday to Sunday, and that is not a put down. You can't be here doing your job and being down in the trenches, also. But it would be nice to see some of you guys down there.

I am in the process of getting a town meeting with Senator Bradley, with Senator Lautenberg and Congressman Andrews, and that is going to happen if they can get their schedules together. We want them down in south Jersey. We want them to see and hear what is going on down there. It is quite obvious to us somebody is missing the boat.

Mr. KOPETSKI. I think it is important that this kind of activity occur in the 49 other States and a few territories as well, that will help our job to move this piece of legislation through the House as well.

Did you have some comments, sir?

#### **STATEMENT OF BARNEY OURSLER, MON VALLEY UNEMPLOYED COMMITTEE, HOMESTEAD, PA.**

Mr. OURSLER. Yes, Barney Oursler with the Mon Valley Unemployed Committee. I come with Congressman Coyne from an area that has a lot of this long-term unemployment that was spoken of earlier. But in addition to the long-term unemployment is the underemployment, the vast numbers of people in southwestern Pennsylvania who used to have manufacturing jobs, no longer have them.

In most of the mill towns, over half of the income is pension and Social Security income. We watched 20 percent of Allegheny County population disappear in the first half of the 1980s, just move out.

We are living in a disaster, and to expect people who are running out of checks—I was very pleased to see Secretary Reich say that the problem of people being on unemployment is not laziness and shiftlessness, it is people—in fact, more than 90 percent, and I think it is probably closer to 100 percent of the folks who are on unemployment had a job, want a job. But they have to support their families, and when you look at the costs of working, for exam-



ple, of child care, of transportation, food, you are talking about a lot of folks, in fact, have to pay to go to work at McDonald's. You cannot do that with kids.

It is a disaster in terms of where we go when these checks run out. It is an outrage that we can say that 7 weeks has got to be done because the money that is in that fund, that has been paid for by companies for long-term unemployment benefits, can't be used because it is being used in a paper shuffle here to look like things aren't quite the disaster they are with the budget.

We think the money is there. It ought to be spent on long-term joblessness. But, ultimately, if the U.S. Government does not find a way to encourage U.S. corporations to employ people, then the government has to be the employer of the last resort.

Mr. KOPETSKI. I think you raise some very good points about the number of unemployed in our society. And I would add to that the number of independent contractors in our society, which don't get on the statistics of the unemployed, and when they are unemployed, they don't have access to the unemployment compensation system.

I want to thank each—final comment.

Mr. BROOKS. As long as I have—put it on the record that there is one other point that we haven't heard raised that is of great concern to us, and that is the issue of the health care plan that is going to be announced tonight. And as long as we have your ear and the record, we think it needs to be asked, and with a certain kind of an understanding, the only thing that I have read about what the Clinton proposal will do for the unemployed in regard to health care is to say that the unemployed will have to pay the full cost of their premium and will be subsidized by the Federal Government.

The only clarification that I have seen as to what that possibly could mean is that payment that the unemployed will somehow have to make will be tax deductible at the end of the year. We think that question needs to be pressed and pursued, because if somebody has the idea that the unemployed in their majority are in any kind of position to pay a premium for health insurance—take a look at the statistics on the number of people who use their COBRA rights, which is very small, you know, it is almost a meaningless right, and it won't work in this regard either—and we would like to see somebody who is in a position to raise the issue, to clarify how the unemployed are supposed to be guaranteed health coverage under the Clinton plan, because from what we hear, it is just going to perpetuate the same situation that exists now.

Mr. KOPETSKI. Well, let me just say that there are probably 20,000 questions, at least, that will be asked about the President's health care plan, beginning tomorrow morning.

Thank you very much for your testimony.

The committee is adjourned.

[Whereupon, at 12:21 p.m., the hearing was adjourned.]





